

Treasurer's Report 2016 – 2017



1. MEETINGS OF THE FINANCE SUB-COMMITTEE

During 2016-17 the Merri Creek Management Committee's (MCMC) Finance Sub-Committee met quarterly to consider financial reports including the balance sheet, income and expenditure statements, the list of cheques & electronic payments, receivables & payables reports, cash flow projections and budget projections.

We monitored the Vested Benefit Index for the Vision Super Defined Benefit Plan and MCMC's success in grant applications and contract bids, and reviewed MCMC's annual insurance cover..

We reviewed financial controls and updated MCMC's Finance Procedure. We also began development of a Retained Funds (Reserves) Policy, as suggested by the auditor.

Minutes of the Finance S.C. meetings and the updated forecast budget statements were provided to quarterly meetings of the Committee of Management.

PAYG tax and GST were collected and accounted for through our MYOB accounting software, and reconciled prior to payment to the Tax Office.

2. INCOME

MCMC's total income for the year of \$1,270,326 was marginally higher (\$10,000 more) than in 2015-16. After CPI adjustment this represents a small decrease (1.2%).

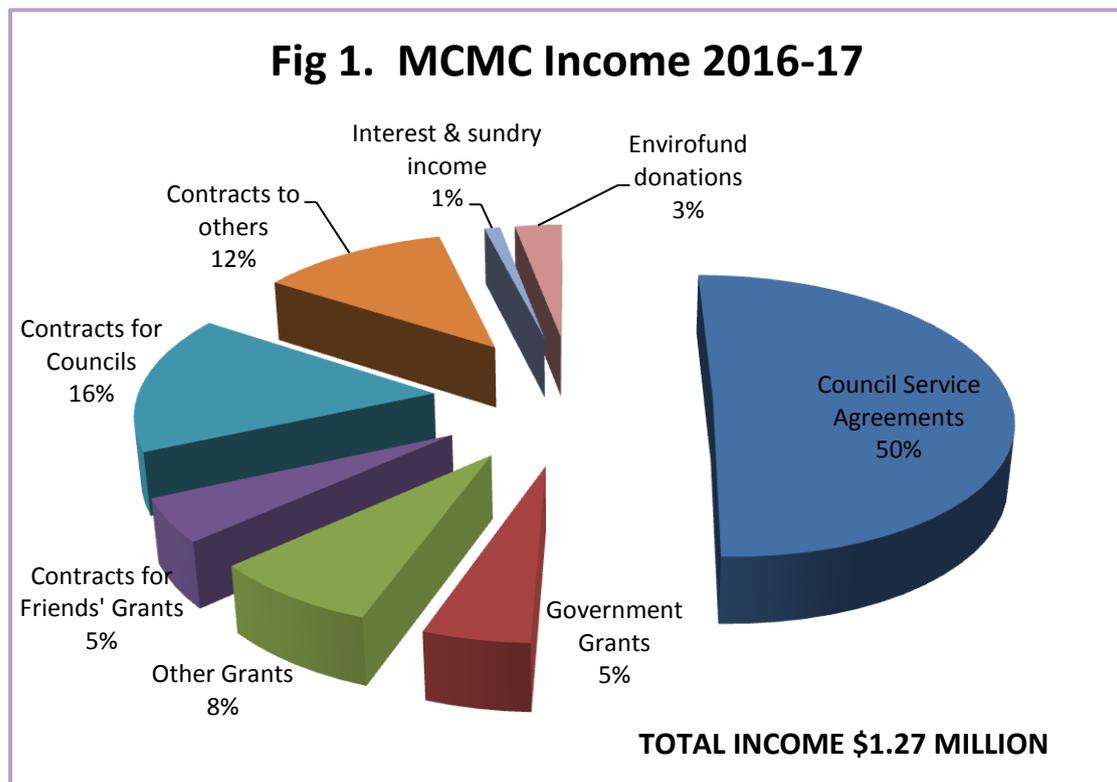
It was pleasing to see donations to the Merri Creek Environment Fund (MCEF) of \$34,466, a significant increase on last year's \$13,426. A large donation \$20,000 came from the Merriang District Landcare Group upon the group's dissolution. Other donations were made through the MCEF Annual Appeal and through work-place giving via [Good2Give](#). My thanks to the hard-working volunteer members of the MCEF sub-committee, and to MCMC support staff.

Recurrent funding from member municipalities provided the biggest single proportion of MCMC's income at 50%, the same as last year.

Grants from Melbourne Water, state government programs and philanthropic sources provided 18% of our income, a little down on last year's 24%. This reflects limited grant opportunities rather than a lack of success in applications. In total, 16 grant applications were submitted, and it is very pleasing that 14 of these were successful. The grants category includes \$58,400 worth of grants received by Friends of Merri Creek. These projects were delivered by MCMC, together with volunteer input from the Friends. MCMC provided significant professional assistance to the Friends in preparing the grant applications.

Contracts provided a slightly higher percentage of income compared to last year (28% vs 24%). Twenty-four bids were made; with the exception of two that lapsed and one that is still pending, all were successful. By value 57% of the contract income was from contracts with member Councils (last year - 58%) and most were for ecological restoration. Non-Council clients provided 43% of MCMC's contract work (last year - 42%) and included ecological restoration projects for VicRoads, MetroTrains, APA Group, Melbourne Water, and a private land holder. Waterwatch delivery was provided under contract to RMIT, Melbourne Polytechnic, Moonee Valley Council and Xavier College.

Overall, 34% of MCMC's income came from non-Council sources, similar to last year's 36%. It represents a commendable effort by MCMC staff in sourcing additional funding and extending MCMC's range of delivery and activities, in the face of declining opportunities for grants funding.

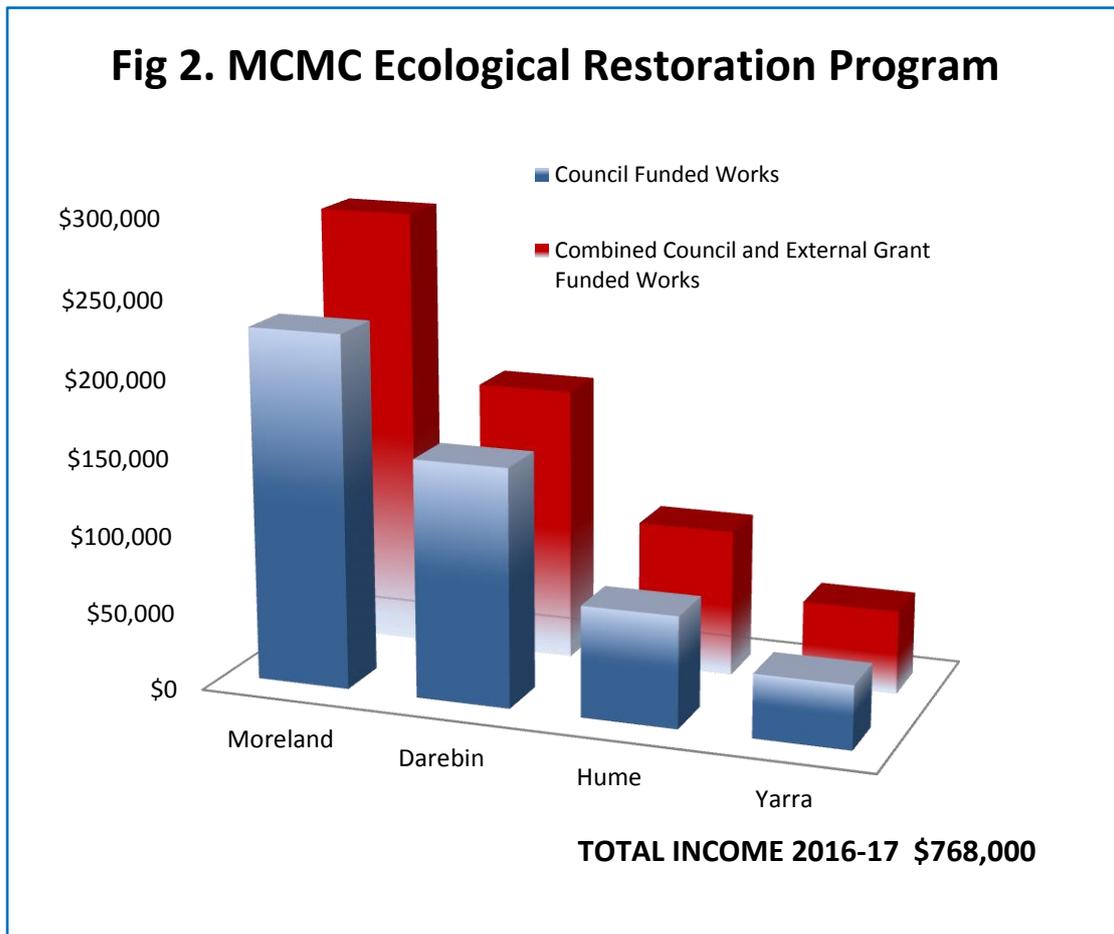


3. COST CENTRE INCOME – GRANTS & PARTNERSHIP CONTRIBUTION

Ecological Restoration Program

Figure 2 compares the income received from Councils for MCMC's Ecological Restoration Program, both recurrent Service Agreement funding and vegetation maintenance contracts, with the income received from grants. MCMC leveraged significant additional funds from grants to bring ecological and community involvement in ecological restoration to those municipalities.

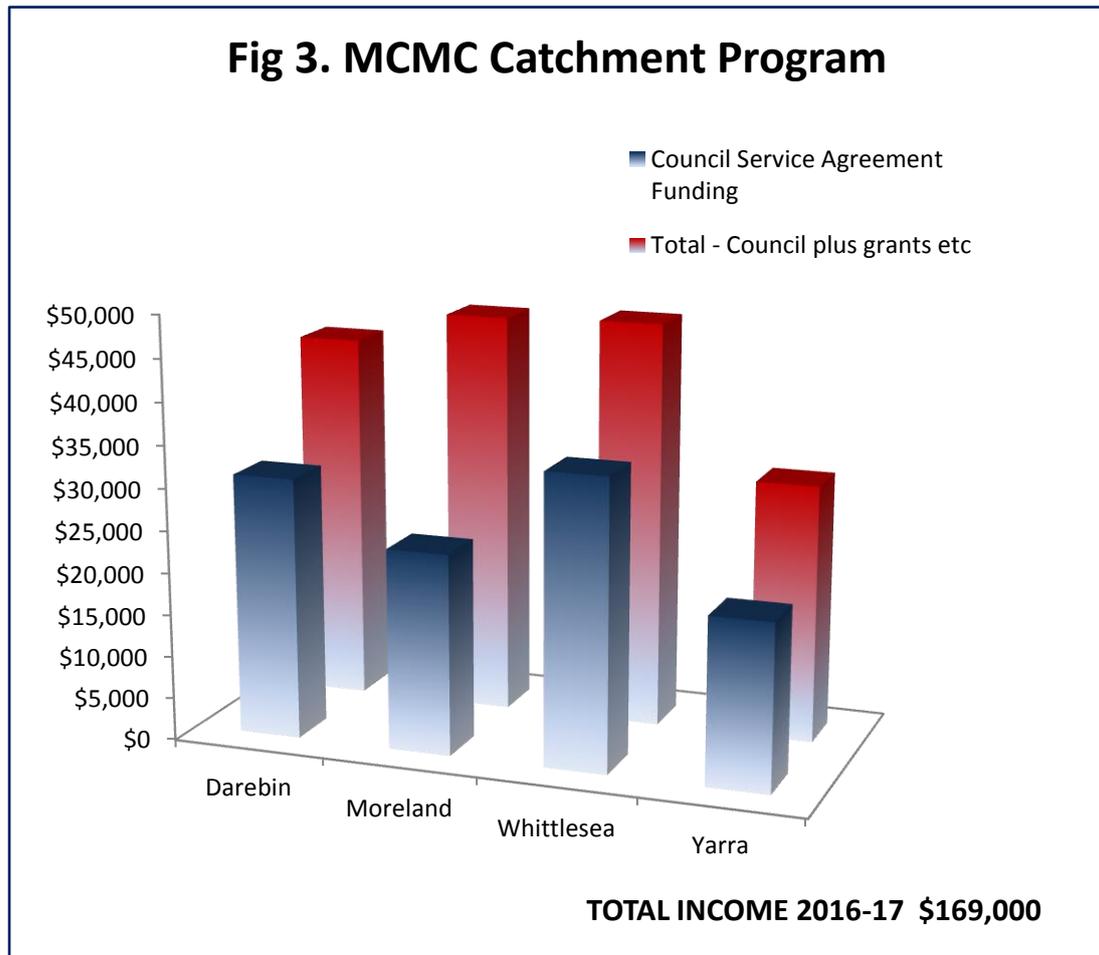
These figures do not include grants that were delivered across multiple municipalities; and do not include contracts for non-member Councils or other clients that did not deliver value to Council assets or to Council communities.



Catchment Program

Figure 3 compares the income received from Councils for MCMC's Catchment Program, both for Waterwatch and Catchment Education through Service Agreements, with the income MCMC received from grants and partnership agreements. The chief partnership agreement is with Melbourne Water for Waterwatch delivery. MCMC leveraged significant additional funds to provide community benefits to those member-municipalities which provide recurrent funding for the Catchment Program.

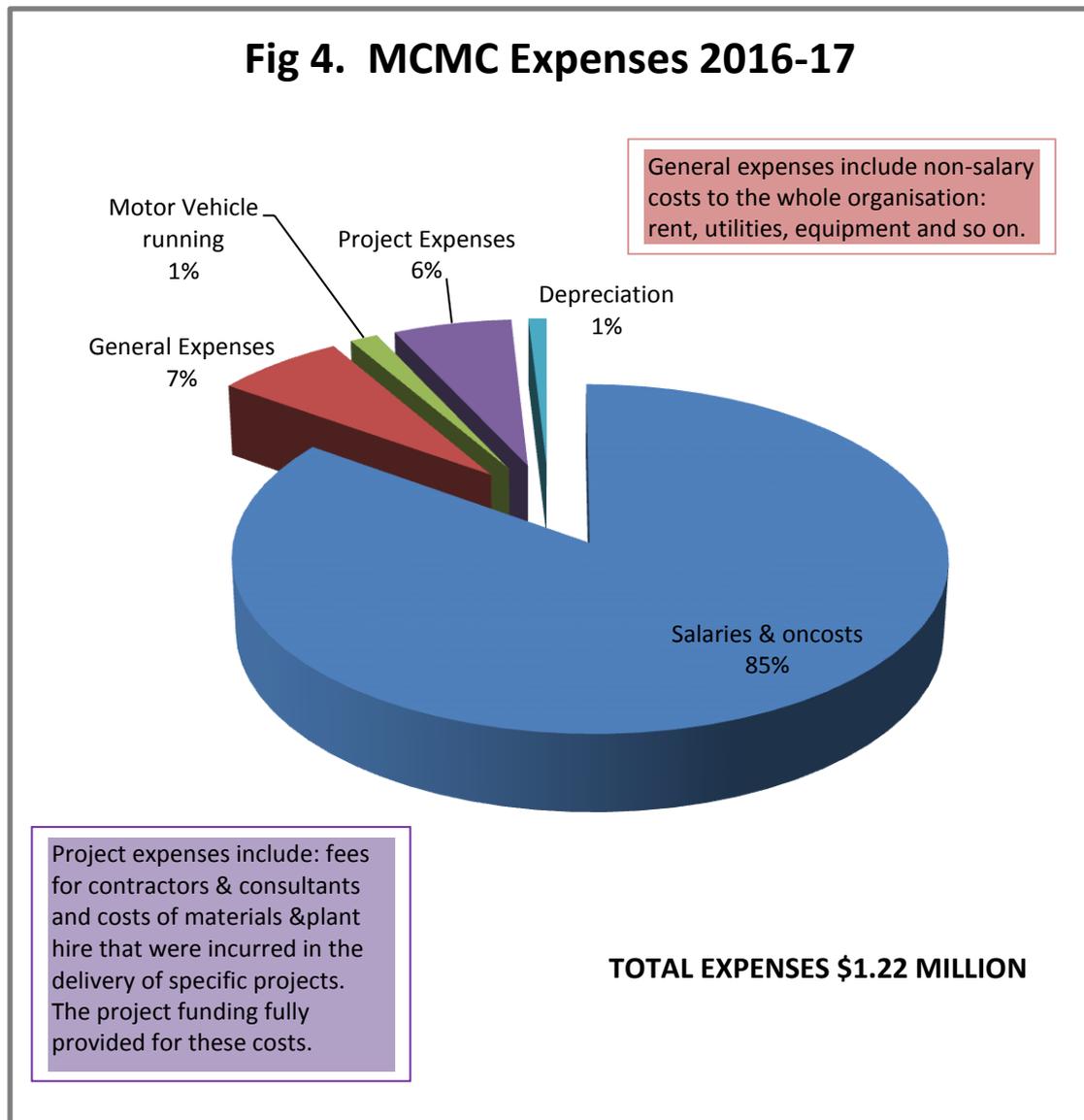
These figures do not include contracts for non-member Councils or in non-member municipalities.



4. EXPENSES

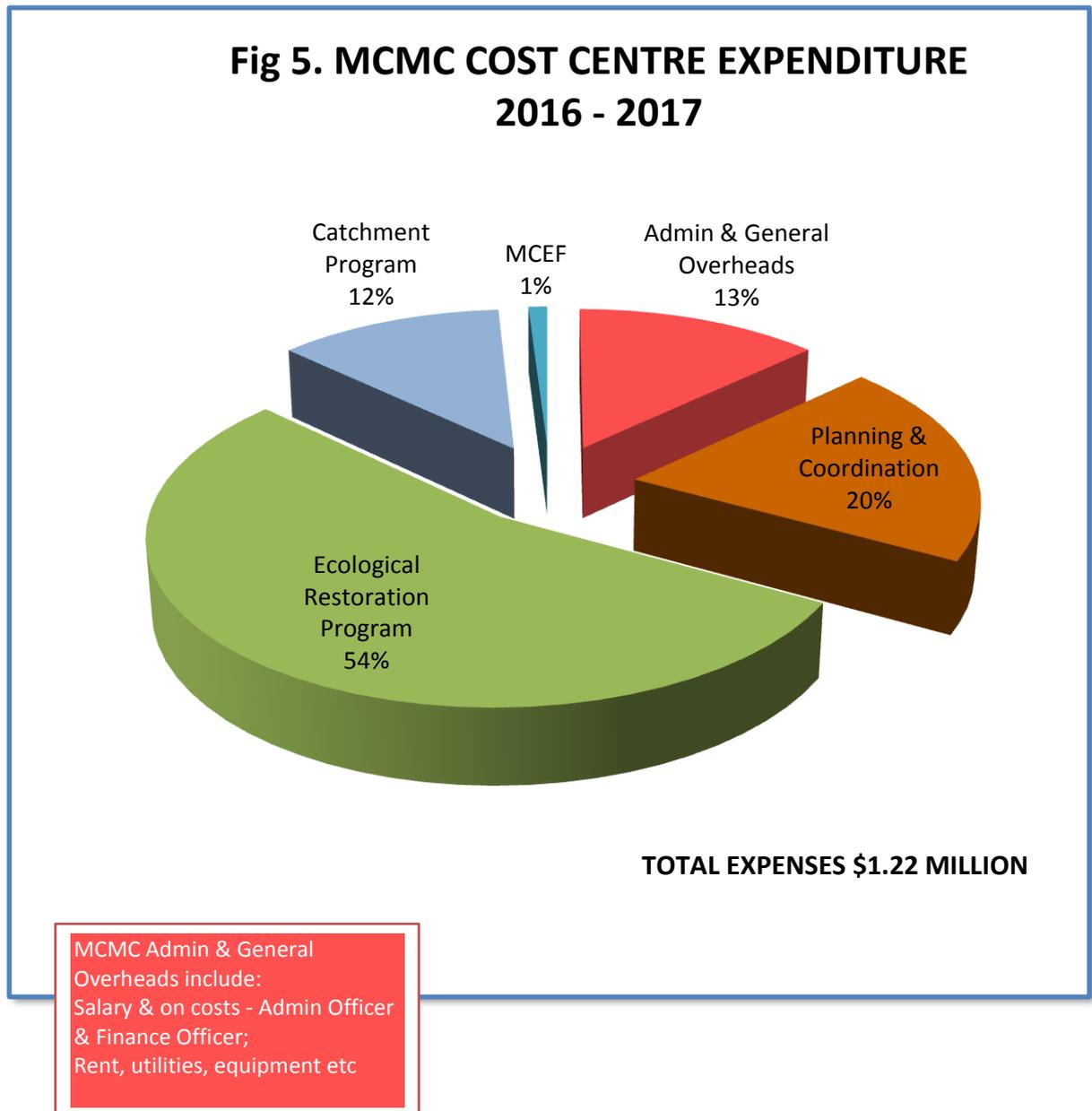
MCMC's total expenditure for the year was \$1,222,461. This was \$40,000 less than last year and reflects both the slightly lower operating income for the year and tighter cost management. Figure 4 shows the breakdown of our major areas of expenditure.

As in previous years, the largest expense area was salaries and associated salary on-costs (including leave provisions). These represented 85% of MCMC's total expenses (last year 84%). Salary and leave provisions were consistent with MCMC's Enterprise Bargaining Agreement which limited the 2017 salary increase to 1.5% p.a. (c.f. 2016 - 2.0%). The 15% provision that was made last year for sick leave entitlements was increased to 25% of the calculated potential liability.



5. COST CENTRE EXPENSES

Figure 5 illustrates proportional expenditure within each of MCMC's cost centres. As in previous years, the Ecological Restoration Program generated the largest proportion of MCMC's expenditure (54%), the proportion being the same as in 2015-16.



6. SURPLUS/DEFICIT

MCMC ended the year with a healthy surplus of \$47,865 (c.f. deficit of \$1,416 in 2015-16). Of this surplus, \$24,000 was a surplus in the Merri Creek Environment Fund, \$16,000 was an operating surplus, and the remainder represents interest earned during the year. This surplus is a welcome result and congratulations are due to MCMC staff for effective budgeting and cost management. Sincere thanks are especially owed to the five staff members who voluntarily cut back their paid hours to help achieve this result.

7. BALANCE SHEET

The details of the balance sheet are shown in the Auditor's Report.

In summary, at 30th September 2017, MCMC's Retained Funds/Net Assets stood at \$150,276, a significant improvement on the \$102,411 of the previous year (the difference represents this year's surplus of \$47,865). Accumulated public donations of \$63,231 made to the Merri Creek Environment Fund make up a little over forty percent of the Retained Funds

Previously the greatest risk to MCMC's financial stability was identified as another unfunded liability call for Vision Super's Defined Benefits Fund. Fortunately there have been no calls in the last five years; the Fund remains healthy and is being managed to minimise risk.

Another previously identified risk was the lack of a provision for personal leave (carer's & sick leave) on the balance sheet. Some long-serving MCMC staff have accrued very large amounts of personal leave and should they need to use these entitlements, we would have to draw on our Retained Funds to pay their salaries unless a specific provision is made. I'm pleased to report that this year we were able to increase the 15% provision made last year, to 25% of the calculated potential liability.

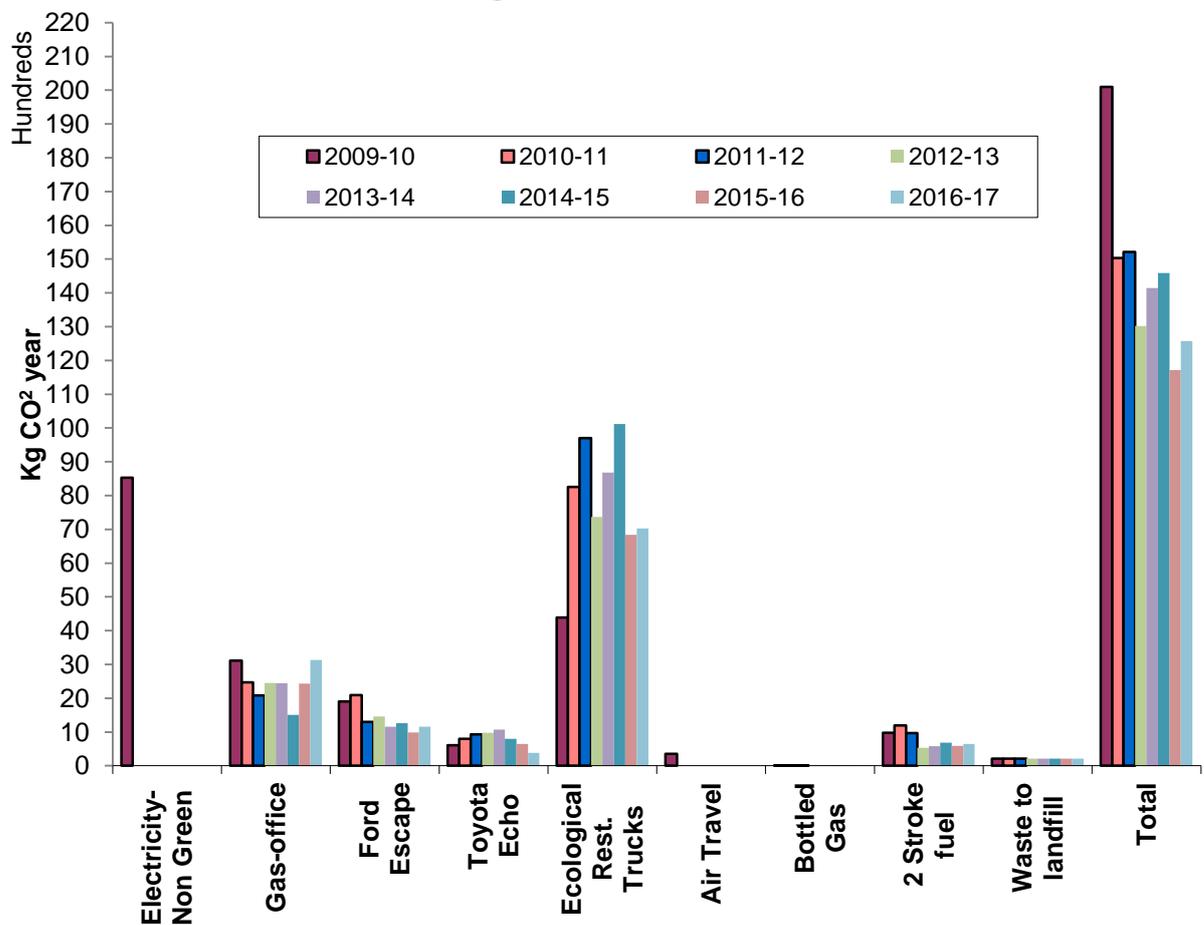
There were no unforeseeable calls on entitlements, such as parental leave, and this assisted in achieving the surplus.

8. GREENHOUSE GAS EMISSIONS

We have monitored and reported on our annual greenhouse gas emissions since 2005-06 and these figures are shown in Figure 6. Our total for 2016-17 was 12.6 tonnes of CO₂ equivalent. This is 0.9 tonnes more than in 2015-16 and reflects slightly greater gas usage for office heating and slightly greater vehicle usage. The latter is a reflection of the amount and location of work. The office heating is set at a very modest 19°C and greater usage is likely to reflect a slightly colder winter than in 2015-16.

MCMC's electricity usage does not contribute to our greenhouse emissions since our provider is greenhouse gas neutral. In addition, since mid-July 2014 we have operated a 1.5 kW solar photo-voltaic (PV) system on the roof of the MCMC office in East Brunswick. Our usage of grid electricity is around 30% less than it was prior to the installation of the PV system. This year we used 2,985kWh from the grid and exported 740kWh to the grid. The latter is the same as last year.

Fig 6. MCMC Carbon Emissions



And lastly

I would like to express my special thanks to Judy Schrever, a qualified accountant, who has been a member of the Finance Sub-committee since 2001. For the last sixteen years Judy has undertaken this role on an honorary basis and has provided much appreciated expertise in accounting and financial acumen to MCMC. I would also like to thank MCMC staff, in particular Ruth Rankin, MCMC's Finance Officer, and Luisa Macmillan, MCMC manager, for efficient and invaluable support.

Ann Sanson, Honorary Treasurer, February 2018